LE COP

FILED
JUL 19 1972
MICHAEL RODAK, JR., CLERK

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

No. 71-1649

A-T-O, INC. (formerly "AUTOMATIC" SPRINKLER CORPORATION OF AMERICA), an Ohio Corporation, ELECTRONIC CONCEPTS, INC., a Virginia Corporation, JOHN E. ZENTMEYER, JR., and GUS K. TEBELL, JR.,

Petitioners,

v.

SPERRY RAND CORPORATION,
a Delaware Corporation,

Respondent.

BRIEF IN OPPOSITION TO PETITION FOR CERTIORARI

LEWIS T. BOOKER
HUNTON, WILLIAMS,
GAY AND GIBSON
700 East Main Street
Richmond, Va. 23212

FRANCIS J. MCNAMARA, JR.
JOHN S. MCGEENEY
RIDGWAY M. HALL, JR.
CUMMINGS & LOCKWOOD
One Atlantic Street
Stamford, Conn. 06904

Counsel for Respondent

INDEX

	PAGE
COUNTER-STATEMENT OF THE CASE	1
I. THE PETITION RAISES ISSUES NOT RAISED OR RULED UPON BELOW	3
II. THE TRADE SECRET ISSUES ARE MOOT	4
III. THE ISSUES ARE CONTRIVED AND FRIVOLOUS	4
CONCLUSION	7
APPENDIX	A-1

TABLE OF CASES

California v. *Taylor*, 353 U. S. 553 (1957)	3
Compco Corp. v. *Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964), *reh. den.*, 377 U. S. 913 (1964)	4, 5
DuPont Powder Co. v. *Masland*, 244 U. S. 100 (1917)	5
Ellis v. *Dixon*, 349 U. S. 458 (1955)	3
Lawn v. *United States*, 355 U. S. 339 (1957)	3
Rugendorf v. *United States*, 376 U. S. 528 (1964)	3
Sears, Roebuck & Co. v. *Stiffel Co.*, 376 U. S. 225 (1964), *reh. den.*, 376 U. S. 973 (1964)	4, 5

OTHER AUTHORITIES

28 U. S. C. § 1332	2
Stern and Gressman, *Supreme Court Practice* (3d Ed. 1962), Sec. 6-42, p. 248	3

IN THE

Supreme Court of the United States

OCTOBER TERM, 1971

A-T-O, INC. (formerly "AUTOMATIC" SPRINKLER CORPORATION OF AMERICA), an Ohio corporation, ELECTRONIC CONCEPTS, INC., a Virginia corporation, JOHN E. ZENTMEYER, JR., and GUS K. TEBELL, JR., *Petitioners,* *v.* SPERRY RAND CORPORATION, a Delaware corporation, *Respondent.*	No. 71-1649

BRIEF IN OPPOSITION TO PETITION FOR CERTIORARI

COUNTER-STATEMENT OF THE CASE

Sperry Rand Corporation ("Sperry"), sued two former employees, Zentmeyer and Tebell, and Zentmeyer's corporation, Electronic Concepts, Inc. ("ECI"),[1] for theft of trade secrets including drawings, documents, and other information, and for unlawfully obtaining information concerning the amount of Sperry's sealed bid on a govern-

[1]During the pendency of the litigation, Automatic Sprinkler Corporation of America (now called A-T-O, Inc.) acquired the assets and assumed the liabilities of ECI, including, specifically, liabilities arising out of this lawsuit.

ment contract. Federal jurisdiction is based on diversity of citizenship of the parties, 28 U. S. C. § 1332.

The trial court found[2] that defendants Zentmeyer and Tebell were former key employees of Sperry, engaged in the development of a new marine radar known as the AN/SPS-53, and in particular in the design of a slotted-array antenna for that radar. Zentmeyer left Sperry taking with him Sperry's secret manufacturing drawing for the antenna, together with numerous other similar drawings, documents, data and materials having substantial commercial value.[3] Later when the Coast Guard sought competitive bids for this radar Zentmeyer surreptitiously obtained from Tebell the amount of Sperry's proposed bid and other valuable information which enabled Zentmeyer's company, ECI, to underbid Sperry and obtain a $900,000 Coast Guard radar contract. Tebell immediately left Sperry and joined Zentmeyer and ECI and assisted them in producing the radars using the stolen Sperry drawings and other secret information taken from Sperry. Shortly thereafter Sperry learned of the bid theft from an ex-ECI employee and commenced this action.

The Court found repeated acts of knowing or deliberate misappropriation, unfair competition, and malicious disregard for the rights of the plaintiff Sperry, resulting in very serious injury. In addition to the aggravated misconduct which gave rise to Sperry's claim, the defendants continued to conceal the true facts concerning their activities by falsehood and fabrication throughout more than two years of intensive pretrial discovery. During the trial the defendants and their witnesses testified falsely and

---

[2]The trial court's findings are set forth in detail in its Opinion, Appendix A to Petition.

[3]A list of the misappropriated items is annexed as Appendix A hereto.

evasively with respect to their acts of misappropriation of Sperry data, and the manner in which they allegedly prepared their own bid on the stolen contract.

The Court granted injunctive relief and awarded damages of $231,012 for loss of profits on the radar contract, restitution of $175,000 for misappropriation of trade secrets, punitive damages of $185,000 and attorneys' fees of $225,000.

The Court of Appeals affirmed the District Court on the merits, but vacated the restitutionary award for misappropriation of trade secrets on the ground that it was duplicated by the compensatory damage award, and vacated the award of attorneys' fees on the ground that this remedy was precluded by state law.[4]

I. THE PETITION RAISES ISSUES NOT RAISED OR RULED UPON BELOW

None of the three legal contentions presented by the Petition for Certiorari was made by the petitioners either in the District Court or the Court of Appeals. Certiorari should not issue to review a question not raised or ruled upon below. *Rugendorf* v. *United States,* 376 U. S. 528 (1964); *Ellis* v. *Dixon,* 349 U. S. 458, 460 (1955); *Lawn* v. *United States,* 355 U. S. 339, 362 n. 16 (1957); *California* v. *Taylor,* 353 U. S. 553, 557 n. 2 (1957); Stern and Gressman, *Supreme Court Practice* (3d Ed. 1962), Sec. 6-42, p. 248.

---

[4]We believe the Court of Appeals' action in setting aside the award of restitution was erroneous, but it presents no federal question. The Court's action with respect to attorneys' fees, however, does raise an important question of federal policy and is the subject of a petition for certiorari filed by Sperry on June 27, 1972, No. 71-1700.

II. THE TRADE SECRET ISSUES ARE MOOT

All three points of the Petition are directed solely at the question of whether Sperry was entitled to recover for the misappropriation of its antenna design. However, since the Court of Appeals has already vacated the trial court's award of $175,000 for misappropriation of all the items in Appendix A hereto including the antenna design, we are mystified as to what further relief petitioners hope to get from this Court.

III. THE ISSUES ARE CONTRIVED AND FRIVOLOUS

A. There Is No Conflict With Sears and Compco

Sears, Roebuck & Co. v. *Stiffel Co.*, 376 U. S. 225 (1964), *reh. den.*, 376 U. S. 973 (1964), and *Compco Corp.* v. *Day-Brite Lighting, Inc.*, 376 U. S. 234 (1964), *reh. den.*, 377 U. S. 913 (1964), held that state law principles of unfair competition could not prevent the copying and sale of articles which were available to the public, were not the subject of a valid design patent, and could be physically copied and imitated. The copying permitted in those cases did not involve any breach of fiduciary duty, breach of contract, misappropriation of confidential information, documents and drawings, or theft of tangible personal property, all of which were found in the present case.

The most valuable item misappropriated by the defendants was Sperry's manufacturing drawing for the radar antenna. The plaintiffs' experts testified (Joint App. A 127-128, 151),[5] and the defendants, themselves, admitted (Joint App. A 475, 476), that the critical information on the stolen antenna drawing could not be duplicated by pur-

[5] "Joint App." citations are to pages of the Joint Appendix on Appeal filed below. "Trial Tr." citations are to pages of the trial transcript.

chasing a radar and having the antenna scientifically measured or analyzed. Nor could this information be obtained from any published or public source. The only way in which it could be obtained was by theft or by breach of duty by a Sperry employee.

As pointed out by petitioner, all six of the Courts of Appeals which have considered the point are in agreement that this Court had no intention in *Sears* and *Compco* of overturning by implication the fundamental principles of business morality underlying the law of trade secrets which this Court itself helped to develop. *DuPont Powder Co.* v. *Masland,* 244 U. S. 100 (1917).

B. The Court Did Not Authorize Any Recovery for Information in the Public Domain

Petitioners' statement of their second issue is false and misleading. The 1963 Coast Guard contract merely required Sperry to design a radar which met certain performance characteristics and deliver 90 units to the Coast Guard together with a technical manual which could be used for trouble shooting and emergency repairs. It did *not* call for Sperry to furnish any manufacturing or design drawings whatsoever (Trial Exhibit PX-57) and it did *not* contain the ASPR clause referred to at p. 16 of the Petition by which the Government might have asserted a right to Sperry's technical data. None of the items listed in Appendix A hereto (all of which were improperly removed by the defendant Zentmeyer from Sperry's premises) were disclosed in the technical manual, were the property of the Coast Guard, or were ever in its possession. Indeed, the Coast Guard subsequently sought to purchase the manufacturing drawings for this radar, but ultimately declined to meet Sperry's asking price of $439,992 (Trial Exhibits DX-19, DX-20).

Accordingly, the legal contentions asserted in Point II of the petition are predicated on an incorrect presentation of the facts.

C. Petitioners' Contention Concerning Excessive Damages Is Based on a Distortion of the Record and Presents No Federal Issue

Petitioners would have this Court believe that the District Court awarded hundreds of thousands of dollars in damages for the misappropriation of an item that cost Sperry only $900 to develop. Plaintiff's testimony was that its records showed development costs of $110,440.82 applicable to the antenna manufacturing drawing alone. (Joint App. A, 64-65, 77-78, 184; Trial Exhibits PX-78A, PX-78B, DX-87, PX-78C, PX-32 Sec. 12, PX-104; Trial Tr. 197, 236, 517-519, 812-814). One of plaintiff's experts testified that this drawing had a value of $100,000 (Joint App. A, 126); the other expert valued it at $120,000 (Joint App. A, 155). There was ample evidence to the effect that the total library of data stolen by defendants (reflected in Appendix A hereto) had a value from $150,000 to $200,000 based on what it would cost to duplicate it (Joint App. A, 134-135).

CONCLUSION

For the foregoing reasons the defendants' Petition for Certiorari should be denied.

Respectfully submitted,

FRANCIS J. MCNAMARA, JR.
LEWIS T. BOOKER
JOHN S. MCGEENEY
RIDGWAY M. HALL, JR.
Counsel for Respondent

July 18, 1972

APPENDIX A

Items Taken By Zentmeyer From Sperry

(Quoted from Sperry's Brief in the Court of Appeals, pp. 10-11, 12-13)

"Sperry's slotted array antenna drawing for SPS-53 radar PX–38

Two antenna patterns made at Sperry for the SPS-53 ..... PX–22, PX–23

Engineering sketch for a 44" slotted array antenna PX–39

Pages of Sperry engineering laboratory notebooks kept by various Sperry employees relating to antennas PX–34, PX–35, PX–108, PX–28

A folder of interoffice correspondence labeled "Patent Information" and dealing with slotted array antenna data and considering possible patent disclosure regarding the details of the SPS-53 antenna design on which Zentmeyer had been working .. PX–32

An engineering estimate prepared at Sperry in connection with a bid for an antenna design for the Lavoie Company PX–110

A folder containing antenna patterns for the SPS-53 antenna PX–13

Sperry blueprint drawing #5902507, a detailed drawing of the antenna for the Sperry 16-T radar, which was one of the latest radar designs at that time PX–29

A large blueprint of a radar antenna and pedestal assembly, also for the 16-T PX–30

A folder entitled, "Single Side Band Modulator" and containing a copy of Sperry drawing #2269051 . PX–27

Blue line sheet with attached data including twelve separate pattern recordings of antennas relating to the SPS-54 antenna PX–25

A Sperry interoffice memorandum stamped "LIMITED" containing engineering direct labor pricing rates PX–24

Sperry publication entitled, "Materials and Processes, Standard Practice Instruction for Contractors," bearing a proprietary notice inside the cover PX–26

A proposal for an Atlantic Missile Range Transmitter, containing a proprietary rights notice PX–37

A three-page Wheeler Labs. Report marked "Confidential" PX–15

* * * * *

Laboratory notebook of Lee Miller containing extensive design data pertaining to slotted array antennae, which he thereafter brought into ECI to use in competition with Sperry PX–12
A405–408; 168–169; 171; 195–196

A five-foot slotted array antenna and horn, kept under lock and key at Sperry, which he also took to ECI and later exhibited to the Coast Guard to create the erroneous impression that ECI had had experience designing and building such antennae
PX–69, A222, 410–412, 454–455

A copy of the 1963 Sperry technical proposal on the SPS-53 radar. Later in 1966, bidding in direct competition with Sperry on the second Coast Guard procurement, Zentmeyer copied large and critical sections of this Sperry proposal word-for-word into the ECI proposal, including the technical portions, notwithstanding the Sperry proprietary rights notice in the front of the proposal PX–89
(compare ECI proposal PX–82) A398–404

(Zentmeyer finally admitted this on cross-examination after vigorously denying it throughout his depositions and prior testimony at the trial) .....Id.

PX–22, a Sperry antenna pattern on which he typed the words "HORIZONTAL PATTERN ECI EXPERIMENTAL ARRAY, Fig. 2," and which he included in the ECI bid proposal in competition with Sperry in 1966 .....A221–222, 408–410

(PX–22 was not, of course, an ECI pattern and ECI had neither an experimental array nor the ability to produce such a pattern at this time, *A410*. Yet this misrepresentation heavily influenced the Coast Guard in awarding the second contract to ECI rather than Sperry, *A449 (Z–5 is PX-22), 453-454, 458, 461, 469.)"